

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 INT-08 GSA-02 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 ACDA-19 MC-02 L-03 COME-00 CIAE-00 INR-10

NSAE-00 DRC-01 PM-07 DODE-00 /151 W

----- 123680

P R 021245Z OCT 73

FM AMCONSUL MILAN

TO SECSTATE WASHDC PRIORITY 3386

INFO AMCONSUL GENOA

AMCONSUL NAPLES

US MISSION EC BRUSSELS 079

AMEMBASSY ROME

UNCLAS SECTION 1 OF 2 MILAN 1619

E. O. 11652: N/A

TAGS: EIND, ETRD, IT

SUBJECT: ITALIAN CY 1974 FERROUS SCRAP REQUIREMENTS

REF: STATE 183681; ROME 9698

1. ITALIAN STEEL PRODUCTION, 1971-1974, BY METHOD OF PRODUCTION. (QUANTITIES IN MILLION METRIC TONS)

SOURCE: ITALIAN STEEL INDUSTRY ASSOCIATION - ASSIDER.

	MARTIN ----- FURNACES -----	ELECTRICAL ----- FURNACES -----	PURE OXYGEN ----- CONVERTERS -----	TOTAL
1971	4.0	7.1	6.4	17.5
1972	4.0	8.1	7.7	19.8
1973#	3.8	9.0	8.2	21.0

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1974##	3.6	10.8	9.6	14.0
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ESTIMATED.

FORECAST.

NOTES:

(A) PRODUCTION DATA IS NOT AVAILABLE BY QUARTERS. HOWEVER, ASSIDER OFFICIALS REPORTED THAT PRODUCTION IS RELATIVELY CONSTANT THROUGHOUT THE YEAR. MINOR DOWNWARD FLUCTUATIONS IN THE MONTHS OF AUGUST AND DECEMBER ARE COMPENSATED BY SLIGHTLY INCREASED PRODUCTION IN THE PERIODS IMMEDIATELY PRECEEDING OR FOLLOWING THESE MONTHS.

(B) PRODUCTION SYSTEM DATA IS FURNISHED AS MEANS OF ESTIMATING ITALIAN FERROUS SCRAP REQUIREMENTS, WHICH DIFFER ACCORDING TO INDUSTRY ASSOCIATION OFFICIALS:

(1) MARTIN FURNACES REQUIRE 40/60 PERCENT FERROUS SCRAP, DEPENDING UPON WORLD FERROUS SCRAP AVAILABILITY. PRICE AND FREIGHT RATES;

(2) ELECTRICAL FURNANCES REQUIRE 100 PERCENT FERROUS SCRAP; AND

(3) PURE OXYGEN CONVERTERS RQUIRE 25 PERCENT FERROUS SCRAP.

THESE PERCENTAGES MAY VARY SIGNIFICANTLY FROM U.S. PRACTICE.

2. ITALIAN PIG IRON PRODUCTION FOR 1974 IS FORECAST AT 12.0 MILLION METRIC TONS. ASSIDER ESTIMATES THAT THIS WILL REQUIRE 50,000 METRIC TONS OF FERROUS SCRAP.

3. FERROUS SCRAP IMPORT REQUIREMENTS ARE AS FOLLOWS (THOUSAND METRIC TONS - THOUSAND SHORT TONS IN PARENTHESIS):

TOTAL IMPORTS IMPORTS FROM U.S.A.

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1971	1,313	535
1972	1,759	639
1973#	1,500	320
1974##	1,800 (1.980)	700(770)

ESTIMATED.

FORECAST REQUIREMENT.

SOURCE: CAMPSIDER - CONSORTIUM FOR THE PROVISION OF RAW MATERIALS FOR THE STEEL INDUSTRY.

CAMPSIDER EXPORTS CALCULATE 1974 CONSUMPTION AND PROVISION OF FERROUS SCRAP AS FOLLOWS (THOUSAND METRIC TONS EXCEPT THOUSANDS SHORT TONS IN PARENTHESIS):

A. ESTIMATED TOTAL ITALIAN CONSUMPTION	14,850
B. LESS: FERROUS SCRAP RECOVERED DURING THE	
STEEL-MAKING PROCESS	5,800

C. TOTAL REQUIREMENT TO BE PROCURED OUTSIDE THE	
INDUSTRY (A MINUS B)	9,050

D. ESTIMATED PROCUREMENT FROM:

1. ITALIAN DOMESTIC SOURCES	3,400
2. EC COUNTRIES (SEE PARA 4 BELOW)	3,850

E. DEFICIT TO BE COVERED BY IMPORTS

FROM THIRD COUNTRIES (C MINUS D)	1,800 (1,980)
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F. ESTIMATED IMPORTS OF SCRAP TO COVER E ABOVE,
BY COUNTRY:

1. UNITED STATES (NOTE A)	700 (770)
2. SOVIET UNION	500
3. EASTERN EUROPEAN COUNTRIES	350
4. UNITED KINGDOM	100
5. OTHERS	150

NOTES; (A) ESTIMATED IMPORTS FROM THE U.S. DO NOT TAKE
ACCOUNT OF THE INFLUENCE OF U.S. EXPORT CONTROLS.
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(B) QUARTERLY ESTIMATED REQUIREMENTS ARE NOT AVAILABLE.
SEE PARA 1, NOTE A.

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INFO OCT-01 EUR-25 ISO-00 INT-08 GSA-02 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 ACDA-19 MC-02 L-03 COME-00 CIAE-00 INR-10

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FM AMCONSUL MILAN

TO SECSTATE WASHDC PRIORITY 3387

INFO AMCONSUL GENOA

US MISSION EC BRUSSELS 080

AMCONSUL NAPLES

AMEMBASSY ROME

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3. CAMPSIDER EXPERTS STATE ORDERS PLACED TWO/THREE MONTHS IN ADVANCE OF REQUIREMENT, BUT THAT SEASONAL OR OTHER VARIATIONS IN ORDERING PATTERNS ARE NORMALLY MINOR IN RELATION TO VOLUME NECESSARY. SOME INDUSTRY MEMBERS MAY DELAY PURCHASES OF SCRAP DURING HIGH PRICE LEVELS USING INTERNALLY GENERATED SCRAP TO EXTENT POSSIBLE, OR ALTERNATIVELY, STOCK-PILE SCRAP DURING PERIODS OF LOW PRICES.

4. ITALY FOLLOWS EC EXPORT REGULATIONS (EUROPEAN COAL AND STEEL COMMUNITY) WHICH PROHIBIT EXPORTS FERROUS SCRAP. AGREEMENT AS WELL RATIONS EC FERROUS SCRAP AMONG MEMBER NATIONS, ASSURING ITALY CERTAIN MINIMUM SUPPLY.

5. IN ADDITION TO FURNISHING DATA, INDUSTRY ASSOCIATION OFFICIALS TOOK OPPORTUNITY TO STRESS CURRENT FERROUS SCRAP SUPPLY PROBLEMS STEMMING FROM U.S. EXPORT CONTROLS. LONG STRIKES AGAINST THE ITALIAN STEEL INDUSTRY DURING LATE CY 1972 AND FIRST FOUR MONTHS CY 1973 SHARPLY REDUCED ORDERS TO OVERSEAS SCRAP SUPPLIERS; AND IN FACT, ITALIAN IMPORTS OF FERROUS SCRAP DECLINED 64 PERCENT IN FIRST HALF 1972.

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6. INABILITY TO SECURE SCRAP AT LEVELS REFLECTING NORMAL OPERATING CONDITIONS HAS RESULTED IN PRESENT SERIOUS SITUATION AS LIMITED ITALIAN FERROUS SCRAP STOCKS NOW RAPIDLY DISAPPEARING. INDUSTRY OFFICIALS ESTIMATE PRESENT STOCKS AT 300,000 METRIC TONS BELOW THE LEVELS OF 1972.

7. DESPITE ITALIAN ORIGIN OF PROBLEMS RESULTING IN LOW ORDER LEVEL WHICH PREVAILED IN FIRST HALF CY 1973, ITALIAN STEEL INDUSTRY BLAMES U.S.G. EXPORT CONTROLS FOR CURRENT FERROUS SCRAP SUPPLY UNCERTAINTIES. UNDER NORMAL CIRCUMSTANCES, THEY CONTEND, THE ITALIAN ORDER LEVEL WOULD HAVE BEEN SUBSTANTIALLY ABOVE THE LEVELS ACTUALLY SHOWN, AND THE DROP-OFF IS DUE TO EXCEPTIONAL CIRCUMSTANCES, NOT RPT NOT STRUCTURAL CHANGES SUCH AS IN SOURCES OF SUPPLY OR REDUCTION IN ITALIAN STEEL-PRODUCING CAPACITY.

8. OUR INDUSTRY SOURCES HAVE URGED THAT U.S.G. ADOPT SOME MECHANISM FOR ALLOCATING U.S. 1974 FERROUS SCRAP EXPORTS BASED ON IMPORT LEVELS OVER TIME TAKING DUE RECOGNITION OF PAST CONSUMPTION. IN ANY EVENT, THEY ARE MOST ANXIOUS THAT ALLOCATIONS SHOULD BE ANNOUNCED AS SOON AS POSSIBLE TO PERMIT OPTIMUM USE OF THEIR RESOURCES. SUCH A STEP WOULD, OF COURSE, DIMINISH CONSIDERABLE IRRITATION AT U.S. EXPORT LICENSING POLICY AND COULD DIMINISH POSSIBILITY OF LONGER TERM LOSS OF U.S. MARKET POSITION. TAKEN WITH RECENT EXPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS FERROUS SCRAP EXPORT EMBARGO IS CONTRIBUTING TO MOUNTING ATMOSPHERE OF DISTRUST OF U.S. AS BASIC PRODUCTS SUPPLIER.

9. COMMENT: IN VIEW OF PAST IMPROPRIETIES IN THE FERROUS SCRAP INDUSTRY IN ITALY AND ECSC AS A WHOLE, CONSULATE SUGGESTS THAT INDEPENDENT SOURCES SUCH AS EUROPEAN COAL AND STEEL COMMUNITY BE USED TO CONFIRM ITALIAN FIGURES, OR TO ADD ADDITIONAL PERSPECTIVE. BASED ON CONSULATE SPOT CHECKS, THE ASSIDER/CAMPSIDER DATA IS CONFIRMED BY OFFICIAL ITALIAN STATISTICS, AND CONSULATE HAS NO EVIDENCE TO SUGGEST THAT SITUATION IS OTHER THAN AS REPRESENTED BY THE INDUSTRY ASSOCIATIONS. FINA

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